

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL PACKAGE SERVICE (FCPS)
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-2

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR AMERICAN POSTAL WORKERS
UNION, AFL/CIO'S INTERROGATORIES 1-3, 5-13 and 16
(July 27, 2021)**

The United States Postal Service hereby responds to Intervenor American Postal Workers Union, AFL/CIO'S Interrogatories to United States Postal Service Witness Steven B. Hagenstein, issued on July 20, 2021. Each question is stated verbatim and followed by the response. Questions 14 and 15 have been redirected to witness Foti, and the response to Question 4 is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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APWU/USPS-T-1/1

Please refer to page iii, footnote 2 of your testimony where you note that “changes to First-Class Package service standards would also incidentally affect international mail service standards for small packets and bulky letters...” Please explain in detail how international mail will be affected, including providing the past volume and revenue associated with the packets and letters expected to be impacted for FY2017, FY2018, and FY2019.

RESPONSE:

International mail pieces that travel within the domestic portion of their handling in the same processing and transportation flows as FCPS will be affected by any operational changes that affect FCPS. As noted in the footnote from USPS-T-1 quoted in the question, those will be the pieces of the same general shape as FCPS (*i.e.*, small packets and bulky letters). If the FCPS service standard for the relevant origin-destination pair were adjusted up or down under this proposal, a corresponding change would be made in the applicable service standard for similarly-handled international mail pieces. The Postal Service has not specifically analyzed the volumes of international mail pieces that flowed through affected O-D pairs in any given year, but they would represent only a fraction of affected FCPS volumes. To give an idea of the overall universe of pieces that could most likely have been affected, without attempting to distinguish those traveling between unaffected O-D pairs from those traveling between affected O-D pairs, the overall total volumes and revenues for FY2017 – FY2019 for the most relevant international categories – Inbound Intl Letter Post (Format E), Inbound Intl NSA Mail, and Outbound FCPIS (NSA and Non-NSA) – are provided under seal in USPS-LR-N2021-2-NP14. It is important to note, however, that past volumes for Format E do not account for precipitous increases in terminal dues rates for E format

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items that entered into force on July 1, 2020, with the Geneva Protocol to the Universal Postal Convention. Volumes of E format items have been impacted by those substantial rate increases.

The table below aggregates the revenue and volume by year for the previously described international categories (disaggregated figures that sum to these totals are broken out in the corresponding nonpublic table in USPS-LR-N2021-2-NP14):

**Previous (FY 2017 – FY 2019) Revenues and Volumes for International
Categories that Could Potentially be Impacted by Proposed FCPS Service
Standard Change**

Service Category	FY2017		FY2018		FY2019	
	Revenue (\$000)	Pieces (000)	Revenue (\$000)	Pieces (000)	Revenue (\$000)	Pieces (000)
Total International	\$ 1,074,093	502,267	\$ 1,131,525	503,522	\$ 1,082,277	456,064

Sources: USPS-FY19-NP9A & USPS-FY17-FY19-NP2

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APWU/USPS-T-1/2

Please refer to page 2 of your testimony where you state that both air and surface transportation experience delays and schedule alterations.

- a. Quantify for each of the past five years the percentage of mail volume transported by air that experienced delays and the percentage of mail volume transported by surface transportation that experienced delays.
- b. Describe what percentage of all mail volume is transported by both surface and air transportation.
- c. Explain whether surface transportation experiences weather delays and whether, where, and how this is captured in performance data.

RESPONSE:

2.a. Please see 'APWU-1 Q2a - FCP Air_Surf Scores Trend_NP.xlsx' provided under seal in USPS-LR-N2021-2-NP14 for service performance data by month for FCPS segregated by air and surface transportation modes. Data are only available from October 2018 through present.

2.b. Based on the pair volumes used in the model and the mode matrix as of 7/25/2021, 0.47 percent of FCM letters and flats volume is in lanes that change mode at least once per week. See also response provided under seal in USPS-LR-N2021-2-NP14.

2.c. Surface transportation experiences weather delays. This is indicated in Surface Visibility (SV) as a trip delay or omission due to inclement weather. The weather delays are not directly associated with the SV trip information.

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APWU/USPS-T-1/3

Please refer to page 3 of your testimony where you describe the touch points for surface and air transportation. Explain the significance or relevance of "touch points" to service standards and performance.

RESPONSE:

The greater number of touch points are an indication of complexity and points of potential failure.

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APWU/USPS-T-1/4

Please refer to page 3, footnote 6 of your testimony where you note an "increased challenge with respect to driver shortages/availability or motor vehicle accidents." Describe both the nature of and numbers associated with the current challenges with driver availability and accidents that you anticipate will not be impacted by or aggravated by the FCPS service standard changes.

RESPONSE:

Response is pending.

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APWU/USPS-T-1/5

Please refer to page 4, lines 5 to 7 of your testimony where you comment on possible reductions in air charters.

- a. Describe the process, including when and how, by which the Postal Service will determine the lanes that will be shifted from air to surface transportation.
- b. For lanes that are not shifted to surface transportation, describe whether the Postal Service anticipates meeting the current service standards for FCPS in those lanes that remain on air transportation.

RESPONSE:

5.a. Each air lane will be evaluated to determine if routings can be created on existing transportation. If shifting from air to surface requires additional transportation, the estimated cost of the added transportation will be evaluated against the estimated cost of continuing to assign the volume to the air network. This evaluation process is currently underway.

5.b. The Postal Service anticipates a significant portion of volume that remains in the air network will be advanced at destination due to the reduced transit time versus available transit window.

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APWU/USPS-T-1/6

Please refer to page 4, lines 20-21, of your testimony where you comment on the coast-to-coast First-Class surface network that the Postal Service is establishing.

- a. Describe the components and nature of this surface network including what, if any, parts of the network are new, the status of its establishment and when it is expected to be fully established, and the costs anticipated in establishing this network.
- b. What percentage of total First-Class mail volume moving or that will move through this surface network consists of FCPS?

RESPONSE:

6.a. The surface network will evolve after the service standard change is implemented. Volumes will be massed at origin STCs and transported to destination STCs. In some cases, multiple destinations will be grouped at origin P&DCs to build full loads to a central STC transfer location. The central STC will build full loads to the destination P&DCs and avoid the dual transfer. The planning and evaluation is currently in process.

6.b. See response provided under seal in USPS-LR-N2021-2-NP14.

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APWU/USPS-T-1/7

Is what the Postal Service characterizes as its poor performance for FCPS due entirely to delays from using air transportation, and if not, what other factors have contributed to the poor performance?

RESPONSE:

Not all delays and impact to FCPS performance are due to the air network.

Other delays include: delays due to package processing capacity constraints, missorted and mis-sent volumes, first and last-mile delays, processing errors, and surface transit delays.

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APWU/USPS-T-1/8

Please refer to page 14, line 15-16, of your testimony where you state that "...FCPS within the contiguous United States must often fly in order to meet the current service standards." Explain and quantify what you mean by "must often."

RESPONSE:

A percent of FCPS is currently assigned to the air network to arrive prior to the destination CET, or in some cases because the volume is insufficient to justify surface transportation. The latest FCPS is expected to arrive at destination is 20:00 on Day-2. Volume departing origin at 04:00 on Day-1 has a maximum transit window of approximately 40 hours, or 1,860 miles. Accounting for an estimated transfer time to route through an STC and the distance drops to 1,581 miles. See also response provided under seal in USPS-LR-N2021-2-NP14.

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APWU/USPS-T-1/9

Please refer to page 15 of your testimony where you note the improvement to performance expected to occur as a result of this service standard change. If the only service standard change implemented by the Postal Service was to expand the two-day business rule from six hours to eight hours, what, if any, additional resources from those currently being used would be required to raise performance to meet the current service standards along with the changed business rule?

RESPONSE:

To achieve improved performance, additional sort capacity would be required and improved sort accuracy. The processing window would need to be reduced to increase the transportation window. Additional facility space would be required to accommodate the added sortation equipment. It is estimated that between 50 and 100 additional package sorting machines would be needed to be able to achieve the current package operating plan. Limitations in the air network may prevent achieving prior demonstrated performance, regardless of processing capacity. The Postal Service does not have estimated costs needed to improve service capability beyond performance previously demonstrated.

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APWU/USPS-T-1/10

Please explain your testimony on page 17 that early dispatches lead to operational plan failures and missed service standard targets.

RESPONSE:

Early dispatches reduce the available processing window. As package volumes have increased, it has become increasingly difficult to finalize processing prior to early dispatches, leading to operational plan failures, or failure to clear the volume prior to the scheduled dispatches. Dispatching a trip before processing finalizes will leave volume behind, leading to service failures and extra trips.

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APWU/USPS-T-1/11

Please explain your testimony on page 17-18 describing how and what kind of workhours are reduced by reducing airline assignments and associated handling at origins.

RESPONSE:

Reducing assignment workload reduces handling and workhours to assign and sort the sacks into the air separations at origin. Reduction in sacked volumes reduces the machine sweeping activity and handling at the machines and sack racks. Expected workhour reduction due to this operational change is not available.

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APWU/USPS-T-1/12

Please refer to page 38 of your testimony where you testify on the impact the service standard changes will have on "pharmaceutical volume." Explain the nature of the specific anticipated impact on the 22 percent of pharmaceutical volume that is not upgraded or will otherwise remain unaffected by the service standard changes.

RESPONSE:

The 22 percent figure posed in this question appears to be premised on the version of my testimony originally filed with the case. Referring instead to the revised version of page 38 filed on July 2, 2021, the correct corresponding figure would be only 16 percent. The nature of these pharmaceuticals will follow a similar downgrade structure as all FCPS. See also response provided under seal in USPS-LR-N2021-2-NP14.

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APWU/USPS-T-1/13

Please refer to page 39 of your testimony where you comment on the impact of the service standard changes on air transportation suppliers. Describe how long it will take to amend or terminate contracts with air transportation suppliers to account for reduced mail volume being transported by air, and whether there are any costs associated with amending or terminating those contracts.

RESPONSE:

The Postal Service is not anticipating having to amend or terminate air cargo supplier contracts. The operating period plans will be adjusted, and it is anticipated that minimum volume requirements will still be met, where applicable.

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APWU/USPS-T-1/16

Please refer to page 5 of your testimony where you discuss the special expenses of transporting FCPS between the continental US and Alaska, Hawaii, and offshore territories. Explain whether the Postal Service has considered requesting appropriated funds in accordance with 39 U.S.C. § 2401 to cover these special expenses.

RESPONSE:

I am not aware that any such request has been considered.